

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 339 - HB 633

March 23, 2015

SUMMARY OF BILL: Exempts from state and local sales and use tax and liquor-by-the-drink (LBD) tax any sale of wine for consumption on the premises of a farm wine producer. Exempts from state and local sales and use tax sealed containers of wine sold at retail by a farmer directly to consumers, if the wine is manufactured from grapes grown or produced by the farmer.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – \$1,570,700

Decrease Local Revenue – \$641,000

Assumptions:

- Public Chapter 1015 of the Public Acts of 2014 established that sales of wine for consumption on the premises of a farm wine producer are subject to the sales and LBD taxes.
- However, the Department of Revenue (DOR) reports that no collections have been realized to date. As a result, any impact on the state or local revenue is considered forgone revenue. Any amount of forgone state or local revenue is estimated to be not significant.
- DOR reports that, under current law, products made entirely of produce grown by farmers are exempt from state and local sales taxes. However, this bill as drafted would exempt the sale of wine at retail by a farmer, regardless of how much of the grapes used in the making of such wine are grown by the farmer.
- DOR estimates that FY15-16 taxable sales of wineries will be approximately \$25,867,394. It is assumed that 90 percent of these sales, or \$23,280,655, will be exempt pursuant to this bill.
- The current state sales tax rate is 7.0 percent; the local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- The net recurring decrease in state revenue is estimated to be \$1,570,711 $[(\$23,280,655 \times 7.0\%) - (\$23,280,655 \times 7.0\% \times 3.617\%)]$.
- The total recurring decrease in local revenue is estimated to be \$640,961 $[(\$23,280,655 \times 2.5\%) + (\$23,280,655 \times 7.0\% \times 3.617\%)]$.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, reading "Jeffrey L. Spalding". The signature is written in a cursive, flowing style with a large initial "J".

Jeffrey L. Spalding, Executive Director

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